

 <div style="text-align: center;"> STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES </div> <div style="text-align: center; font-size: 1.5em; font-weight: bold;">Policy and Procedure</div>		POLICY AND PROCEDURE NUMBER <div style="text-align: center; font-weight: bold;">11.02.002</div>	PAGE <div style="text-align: center;">1 of 6</div>
		EFFECTIVE DATE <div style="text-align: center;">June 16, 2000</div>	
SUBJECT <div style="text-align: center; font-weight: bold;">Federal Rates for Equipment</div>		SUPERSEDES <div style="text-align: center;">DPDR 11.02.002</div>	DATED <div style="text-align: center;">June 1, 1996</div>
TITLE <div style="text-align: center; font-weight: bold;">State Equipment Fleet</div>	CHAPTER <div style="text-align: center; font-weight: bold;">HEWCF Management</div>	APPROVED BY	

PURPOSE AND SCOPE

Introduction:

The federal rates are calculated annually by SEF HQ through the Equipment Management System (EMS), using the same methodology but a separate calculation for each department. Only vehicles assigned to a department are used for calculation purposes. The calculations are performed in EMS at the beginning of the state fiscal year, but before the first month's billing for the fiscal year.

There are three components to the federal rates:

- A. The replacement portion is the allowable amount under OMB Circular A-87 that SEF charges users for the replacement of equipment. It is called the Federal Fixed Fee or FFF.
- B. The operating portion is the same fee that SEF charges users for the operational costs of their equipment. It includes scheduled maintenance, repairs for normal wear and tear, and administrative costs. The rate is calculated using the procedures in DPDR 11.092.020, SEF HEWCF Rate Development.
- C. The fuel portion is for Design & Construction assets only. It consists of the actual fuel used in the prior fiscal year averaged by DOT&PF district and class. The averages are added to the operating rates in the Federal Usage Rate Calculations.
- D. There three amounts together represent the total possible charges that the federal government would pay for equipment working on federal projects. SEF bills these costs monthly.

Responsibility/Performance:

The SEF Data Analysis Section under the guidance of DOT&PF's Administrative Services Division develops the federal equipment rates.

Reference:

Definitions:

Depreciation:

SEF calculates depreciation for all HEWCF assets. The depreciable amount for each asset is the original acquisition cost plus capitalization costs minus salvage value minus accumulated depreciation. This depreciable amount is divided each month by the number of amortization months remaining. This is the amount of depreciation for an asset for the month. The monthly amount is added to the asset cost file in EMS. The file keeps track of the cumulative depreciation of the assets. The calculated monthly amount will be constant for each subsequent month unless one of the following occurs:

- A. Additional capitalization costs are incurred on the asset.
- B. The vehicle amortization period is changed; i.e. the expected amortization life is increased or decreased.

Acquisition Cost:

The amount paid by SEF to purchase an asset and place it into service. It includes the price paid to the vendor and the freight to deliver the asset to its service location.

Capitalization Cost:

See DPDR 11.04.019, Equipment Capitalization.

Salvage Value:

A five year moving average sales price of disposed equipment is computed as a percentage of those assets average original acquisition cost. It is done for three groups of assets: light duty, heavy duty, and attachments. The three percentages are used to establish the salvage values of newly acquired assets.

Federal Fixed Fee:

The monthly portion of the replacement cost for each piece of equipment that can be charged to a federal project.

Replacement Cost:

The monthly fee that SEF charges a user to insure that sufficient funds are on hand when the asset needs to be replaced.

Operating Cost:

The monthly fee that SEF charges a user to cover the cost of maintaining a vehicle.

FUR Rate:

This is the equipment cost per mile or hour that can or is allowed to be charged to a federal project. It consists of the annual Federal Fixed Fee plus the annual

Operating Cost divided by the hours or miles an asset is used in a 12-month period.

OMB Circular A-87:

“Cost Principles for State, Local, and Indian Tribal Governments” is a federal publication that defines and outlines the allowable costs that can be charged to a federal project.

Internal Service Fund:

A type of government fund that is established to provide services on a reimbursable basis to other government agencies. The State of Alaska has established such a fund for equipment. It is called the Highway Equipment Working Capital Fund or HEWCF.

DISTRIBUTION

All holders of the DOT&PF Procedure Manual or the SEF Procedure Manual.

PROCEDURE

A. Replacement Calculation

Federal Fixed Fee or FFF is that part of the SEF replacement costs that are allowed under OMB Circular A-87 to be charged to federal projects.

The following two formulas are used to calculate the monthly amount of the Federal Fixed Fee portion of the federal rates.

$$(A - B - D) / C = E$$

$$(E / F) * G = H$$

Where:

A = the total acquisition cost for a given class of HEWCF assets in a department.

B = the total salvage value of the vehicles included in the computation of variable A.

C = the total number of vehicles included in the computation of variable A.

D = the total accumulated depreciation of the vehicles included in the computation of variable A.

E = the average net remaining depreciation of the vehicles included in the computation of variable A.

F = the average remaining life of the class. For example, a five year old vehicle with a 7 year life would have 24 months of life remaining $[(7 \times 12) - (5 \times 12) = 24]$.

The remaining life for each vehicle is totaled and divided by the number of vehicles in its class to arrive at the class average.

G = the administrative overhead factor.

H = the A-87 monthly allowable replacement amount or the Federal Fixed Fee.

B. Operating Calculation

The operating rates are the same as the amounts calculated by SEF in DPDR 11.02.020, SEF HEWCF Rate Development.

- C. The total amount that can be billed to a federal program is the sum of the Federal Fixed Fee and the Operating Rate. An example of the amount that is displayed for each vehicle on the monthly SEF bill is given below:

<u>Operating</u>	<u>A-87 Allowed</u>	<u>A-87 Unallowed</u>	<u>Total Fixed</u>	<u>Total</u>
\$49.00	\$73.00	\$7.00	\$80.00	\$129.00

In the example the amount that could be billed to a federal program is \$49.00 (operating) + \$73.00 (allowed fixed fee) = \$122.00 per month or \$7.00 less than SEF charges the State of Alaska user.

D. Calculation of the Fixed Usage Rate or FUR

For equipment users that have vehicles working simultaneously on several different federal projects, a methodology has been established to break the Federal Fixed fees and Operating Costs into a per mile or per hour rate. These rates are called the Federal Usage Rate or FUR. The FUR is calculated by adding the annual Federal Fixed Fee and annual Operating Cost and dividing by the annual average class usage.

1. Selection of Vehicles for Calculation:

- a. The vehicles selected are a subset of the vehicles in the SEF inventory. They are selected as follows:
 - (a) The vehicles must be HEWCF assets with a Wet billing status.
 - (b) The vehicles must have hour meters or odometers.
 - (c) The annual usage on the vehicles must pass a reasonableness check:
 - Hours must be greater than 10 and less than 2,000.
 - Miles must be greater than 10 and less than 45,000.

b. Once the vehicles have been selected they are divided into department defined groups. For DOT&PF these groups are:

(a) Design and Construction vehicles.

(b) SEF vehicles.

(c) All remaining vehicles in DOT&PF.

c. For other agencies a Federal Usage Rate will be calculated upon request.

2. Formula Used to Calculate the FUR Rate:

a. Multiply the Federal Fixed Fee by 12. This equals the Annual Federal Fixed Fee by vehicle.

b. Divide the Annual Federal Fixed Fee by the class average annual usage and round to the nearest cent. This equals the Distributed Federal Fixed Fee.

c. Multiply the Operating Cost by 12. This number equals the Annual Operating Cost.

d. Divide the Annual Operating Cost by the class average usage and round to the nearest cent. This equals the Distributed Operating Cost.

e. Add the Distributed Federal Fixed Fee to the Distributed Operating Cost. This result is the per hour/mile FUR rate.

f. The FUR rates are then entered into AKSAS by vehicle number from an EMS report called EMS T&E FUR Extract Detail by Vehicle.

E. Reporting

1. At the beginning of the fiscal year SEF will send to the Department of Administration, Division of Finance a copy of the calculated rates. The report, Allowable Rates by Vehicles, is distributed by DOA to the individual department finance offices. This informs the departments of the amounts for equipment they are allowed to charge to their federal projects.

2. Each month the users of HEWCF equipment receive a SEF bill for the use of the equipment assigned to their agency. The bill breaks the costs down into the federally allowable and unallowable amounts. The users have a quick way to determine which portion of the bill can be charged to a federal program.

F. Documentation Reports

1. Annual mileage is in an EMS file called Asset Use File.

2. Hard copies of the following reports are kept by fiscal year file:

- a. The EMS Allowable Rates by Vehicles report sent to the Department of Administration, Division of Finance listing the federal rates by vehicle.
- b. The EMS T&E FUR Extract Detail by Vehicle report that is used to enter the calculated FUR rates into AKSAS.
- c. The EMS T&E FUR Extract Detail by Class/Vehicle report that lists the vehicles that are used to compute the DOT&PF mile/hour rates.
- d. The EMS FFF Audit Trail List report that lists the vehicles, costs and other data that are used to calculate the A-87 allowable replacement rates or Federal Fixed Fee.
- e. The SEF Billing Class Rental Rates report.